

## 2012-2021 CAPITAL BUDGET AND PLAN CORPORATE REPORT

The City of Toronto's Council Approved 2012 to 2021 Tax and Rate Supported Capital Budget and Plan totals \$23.586 billion. The Tax Supported Programs comprises 63% or \$14.836 billion over the 10 years with the remaining attributable to the Rate Supported Programs in the amount of \$8.750 billion as illustrated in Table 1 below.

Table 1 2012 - 2021 Capital Budget and Plan												
\$ Million	2012 Capital Budget				2013 - 2021				2012 - 2021			
	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target
<b>Tax Supported Programs</b>												
Citizen Centred Services 'A'	150	70	77	(7)	991	728	756	(28)	1,141	798	833	(35)
Citizen Centred Services 'B'	221	173	249	(76)	2,273	1,985	2,023	(38)	2,494	2,158	2,272	(114)
Internal Services 'C'	167	67	69	(2)	1,332	628	586	42	1,499	695	655	40
Other City Programs	160	55	51	4	487	161	139	22	647	216	190	26
<b>Total City Operations</b>	<b>698</b>	<b>365</b>	<b>446</b>	<b>(81)</b>	<b>5,083</b>	<b>3,502</b>	<b>3,504</b>	<b>(2)</b>	<b>5,781</b>	<b>3,867</b>	<b>3,950</b>	<b>(83)</b>
Agencies Excluding TTC	113	76	83	(7)	944	632	666	(34)	1,057	708	749	(41)
<b>Total Tax Supported Excl. TTC</b>	<b>811</b>	<b>441</b>	<b>529</b>	<b>(88)</b>	<b>6,027</b>	<b>4,134</b>	<b>4,170</b>	<b>(36)</b>	<b>6,838</b>	<b>4,575</b>	<b>4,699</b>	<b>(124)</b>
Toronto Transit Commission	1,527	386	719	(333)	6,471	2,089	1,817	272	7,998	2,475	2,536	(61)
<b>Total Tax Supported Programs</b>	<b>2,338</b>	<b>827</b>	<b>1,248</b>	<b>(421)</b>	<b>12,498</b>	<b>6,223</b>	<b>5,987</b>	<b>236</b>	<b>14,836</b>	<b>7,050</b>	<b>7,235</b>	<b>(185)</b>
<b>Rate Supported Programs</b>												
Water Services	607	-	-	-	7,269	-	-	-	7,876	-	-	-
Solid Waste Management	60	-	-	-	456	-	-	-	516	-	-	-
Toronto Parking Authority	32	-	-	-	326	-	-	-	358	-	-	-
<b>Total Rate Supported Programs</b>	<b>699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,750</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,037</b>	<b>827</b>	<b>1,248</b>	<b>(421)</b>	<b>20,549</b>	<b>6,223</b>	<b>5,987</b>	<b>236</b>	<b>23,586</b>	<b>7,050</b>	<b>7,235</b>	<b>(185)</b>

This report presents the City of Toronto's Tax Supported 2012 – 2021 Capital Budget and Plan and the 2012 cash flow and future year cash flow commitments for capital projects.

Furthermore, the report includes the 2013 - 2021 Capital Plan which forms the basis for the future capital budgets, in accordance with the City's multi-year financial planning and budgeting policy.

The 2012 – 2021 Capital Budget and Plan satisfies Council's policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meet legislated requirements, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. This is particularly challenging in the fiscally constrained environment that currently confronts the City.

The 2012 – 2021 Capital Budget and Plan Strategy achieves the following:

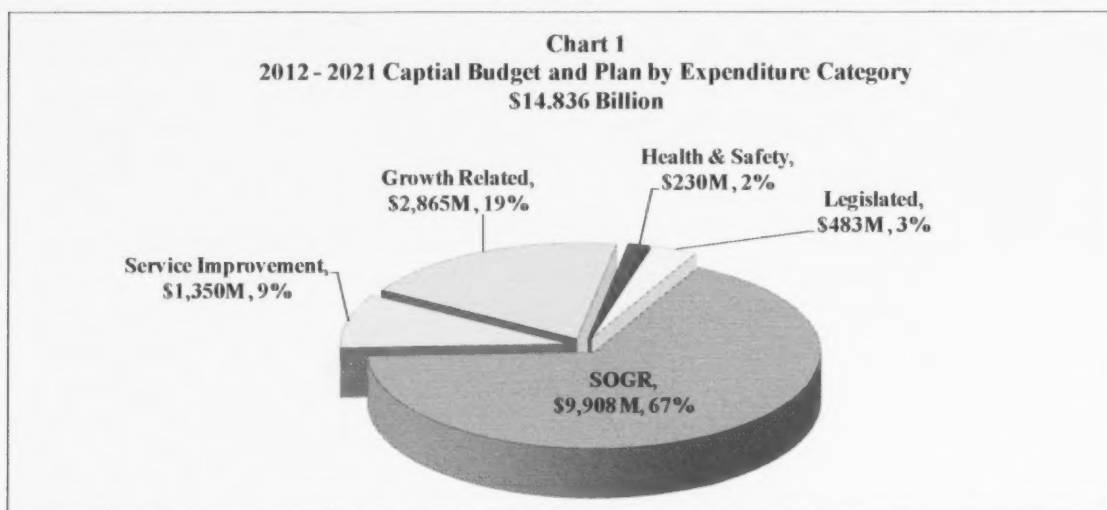
- Focuses spending on maintaining and protecting the City's infrastructure in order to ensure that services demanded by the citizens of Toronto will be delivered in a sustainable manner in the long term;
- Gives priority to projects that maintain existing assets in a state of good repair; while balancing the need to address service gaps on a City-wide basis;
- Strategically applies the proceeds from the monetization of the City's marketable assets and new Federal and Provincial funding to offset future capital plan debt pressures;

- Accommodates fully the Toronto Transit Commission's Capital Budget and Plan by reducing or deferring various projects in the amount of \$1.116 billion; and,
- Manages to keep debt service costs below the 15% guideline to mitigate future impacts on the Operating Budget, especially over the first five years of the Capital Plan. The 10-Year Capital Budget and Plan is less than the affordable debt target of \$7.236 billion by \$185.453 million.

## Tax Supported Capital Budget and Plan

The 2012 Capital Budget totals \$2.338 billion, and estimates of capital spending for the nine years 2013 – 2021 total \$12.498 billion or 84% of the total capital funding of \$14.836 billion over the 10 year planning period, as shown in Table 1 above.

Capital expenditures to maintain and renew the City's infrastructure total \$9.908 billion, representing 67% of the 2012 – 2021 Capital Budget and Plan's spending allocation and with the addition of Health and Safety and Legislated projects grows to approximately 72% of the total budget, as outlined in Chart 1 below. The strategy of continuous investment in City infrastructure reduces the growth in the City's state of good repair backlog.

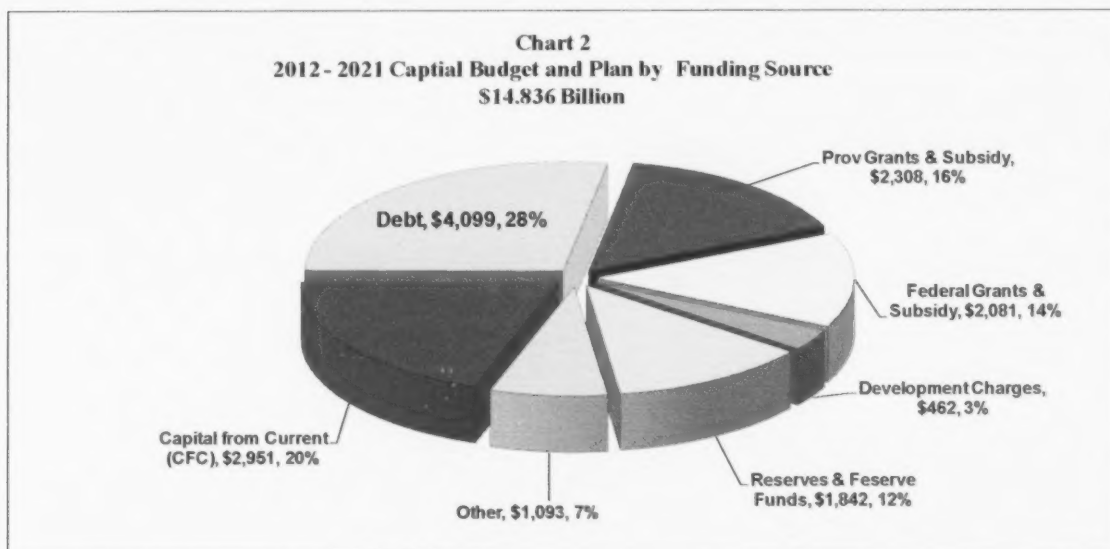


While emphasis has been placed on maintaining and protecting the City's existing infrastructure and physical assets, the 2012 – 2021 Capital Budget and Plan also invests \$4.215 billion over 10 years in strategic priority Service Improvement and Growth Related projects to accommodate increasing service demands.

Transit alone accounts for the largest percentage of capital expenditures in the 10-Year Capital Plan as shown in Table 1 above. Inclusive of the Spadina Subway Extension Project, the TTC's 2012 – 2021 Capital Plan is \$7.998 billion, representing approximately 54% of the total spending over the 10-year planning period. Transportation Services totals an additional \$2.160 billion or 15%. Taken together, transit and transportation capital works account for \$10.158 billion or 68% of the total expenditures in the 2012 – 2021 Capital Budget and Plan.

Debt and Capital from Current contributions (CFC) are the primary financing sources for the 2012 – 2021 Capital Budget and Plan totalling \$7.050 billion or 48% of the total funding of \$14.836 billion.

Debt funding totals \$4.099 billion or 28% of the financing over the City's Capital Plan period, as noted in Chart 2 below. Table 2 illustrates that Debt financing is less than the affordable debt target of \$7.236 billion by \$185.453 million. The debt affordability target is based on the City's policy that limits the ratio of debt service cost to tax levy to no more than 15%, on an annual basis. This has been achieved by applying \$700 million in funding for the TTC's multi-year Capital Program based on use of 2012 and future operating budget surpluses; proceeds from the monetization of City assets; and additional expected Federal and Provincial funding.



Capital from Current (CFC) funding totals \$2.951 billion of the total funding for the 2012 – 2021 Capital Budget and Plan of \$14.836 billion. To mitigate reliance on debt as a funding source for the City's Capital Plan, Capital from Current (CFC) will continue to be increased by 10% annually until 2018, from \$198.650 million in 2012 to \$353.692 million in 2021.

## FINANCIAL IMPLICATIONS

### Overview

The City of Toronto Act (CoTA), sub-section 228 (1) states that, "The City shall in each year prepare and adopt a budget including estimates of all sums required during the year" for the purpose of continuing the business of the City. Similarly, sections 71-10 and 71-11 of the City of Toronto Municipal Code Chapter 71 'Financial Control' specify:

- (i) that no expenditure shall be made and no account shall be paid by or on behalf of the City, except with Council approval; and
- (ii) that no commitment shall be made except where cash flow funding has been provided in the capital budget to the satisfaction of the Chief Financial Officer. This is achieved through the approval of the 2012 Capital Budget. Approval of the 2013 – 2021 Capital Plan provides estimates for the City's long term capital financing and planning; implementing capital activities; and the basis for developing the annual capital budget.

Capital projects included in the 2012 – 2021 Capital Budget and Plan are prioritized into five categories, as shown in Table 2 below. Consistent with the 2012 Capital Budget directions and guidelines, the 10-Year Capital Budget and Plan focuses on maintaining and rehabilitating existing infrastructure to deliver services to the citizens of Toronto. Table 2 shows that \$10.622 billion or 72% of the 2012 – 2021 Capital Plan of \$14.836 billion is allocated to Health and Safety, Legislated, and State of Good Repair (SOGR) projects.

**Table 2**  
**2012 - 2021 Capital Budget and Plan by Category and Funding Source**

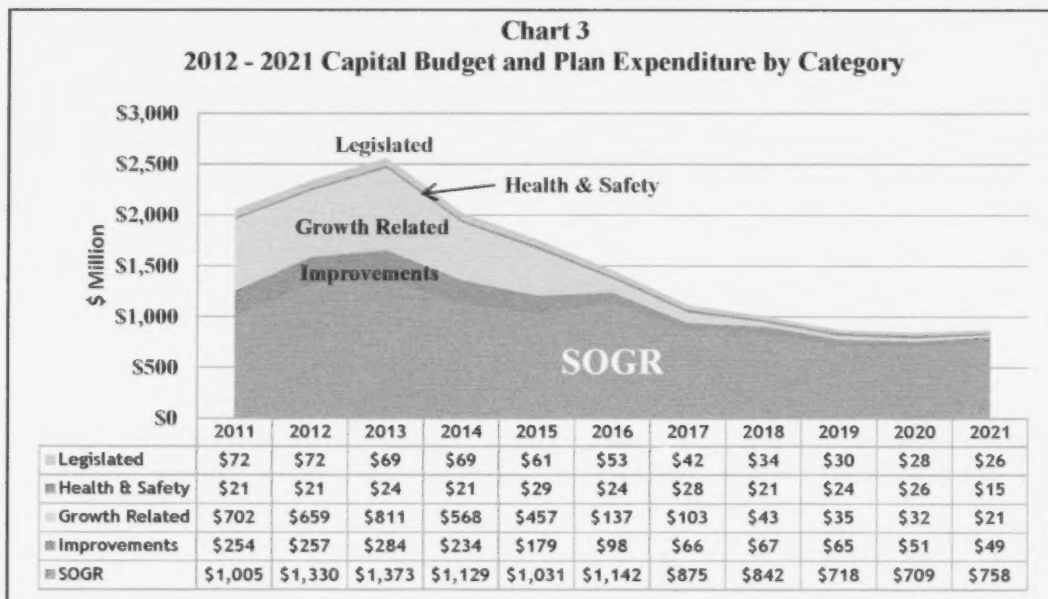
Expenditures	2012	2013	2014	2015	2016	2012-2016		2017 - 2021		2012 - 2021	
						Total	%	Total	%	Total	%
Health and Safety	21	24	21	29	24	117	1.2%	114	2.4%	231	1.6%
Legislated	72	69	69	61	53	322	3.2%	160	3.4%	483	3.3%
State of Good Repair	1,330	1,373	1,129	1,031	1,142	6,005	59.3%	3,902	82.9%	9,908	66.8%
Service Improvements	257	284	234	179	98	1,053	10.4%	297	6.3%	1,350	9.1%
Growth Related	659	811	568	457	137	2,631	26.0%	234	5.0%	2,865	19.3%
<b>Total Expenditures</b>	<b>2,338</b>	<b>2,560</b>	<b>2,020</b>	<b>1,757</b>	<b>1,454</b>	<b>10,129</b>	<b>100%</b>	<b>4,707</b>	<b>100%</b>	<b>14,836</b>	<b>100.0%</b>
<b>Funded By:</b>											
Provincial	492	568	362	325	123	1,870	18.5%	438	9.3%	2,308	15.6%
Federal	371	330	232	200	169	1,302	12.9%	779	16.6%	2,081	14.0%
Reserves	98	113	79	101	105	496	4.9%	384	8.2%	880	5.9%
Reserve Funds	258	249	126	118	122	873	8.6%	89	1.9%	962	6.5%
Development Charges	91	85	52	45	48	320	3.2%	142	3.0%	462	3.1%
Other	202	176	190	201	102	871	8.6%	222	4.7%	1,093	7.4%
Capital from Current	199	219	241	265	292	1,216	12.0%	1,735	36.9%	2,951	19.9%
Debt	628	818	739	503	493	3,181	31.4%	919	19.5%	4,099	27.6%
<b>Total Funding</b>	<b>2,338</b>	<b>2,560</b>	<b>2,020</b>	<b>1,757</b>	<b>1,454</b>	<b>10,129</b>	<b>100.0%</b>	<b>4,707</b>	<b>100.0%</b>	<b>14,836</b>	<b>100.0%</b>

The emphasis on protection and preservation of existing infrastructure continues throughout the 10-year term of the Capital Plan, as graphically illustrated in Chart 3 below. Planned spending on SOGR has been increasing and peaks at \$1.373 billion in 2013 and then declines steadily to \$758 million in 2021, it is noted that as a percent of total annual budgeted expenditures, SOGR grows incrementally from 57% in 2012 to 87% in 2021.

Despite the growing demand for investment in infrastructure maintenance to mitigate the SOGR backlog, the 10-Year Capital Plan allocates funding to invest in essential Service Improvement and Growth Related projects to fulfil Council's strategic priorities as well as to satisfy growth in service demand from an increasing population.

Investment in Service Improvement and Growth Related projects totals \$916 million, or approximately 40% of all capital spending in the 2012 Capital Budget, as noted in Table 2 above. One of the key drivers of the 2012 project spending is for continued construction of the Spadina Subway Extension requiring \$536.695 million or 23% of the total 2012 funding. A further investment of \$3.299 billion or 26% of the funding in the 2013 – 2021 Capital Plan is allocated to Service Improvement and Growth Related projects, resulting in a total investment of \$4.215 billion over the 10 year term of the Capital Plan.

**Chart 3**  
**2012 - 2021 Capital Budget and Plan Expenditure by Category**





### **Capital Financing**

The City's 10-Year Capital Budget and Plan is financed from various funding sources, both external and City-own, with debt being the funding of last resort. The City's goal is to maximize funding from external sources, including other orders of government; development charges; contributions; and donations; prior to utilizing City-own sources such as CFC and the issuance of debt.

The 2012 – 2021 Capital Budget and Plan will be financed from the following funding sources, as shown in Table 2:

- Federal (\$2.081 billion or 14%) and Provincial (\$2.308 billion or 16%) funding account for \$4.389 billion or 30% of total financing;
- Reserve and reserve funds contribute \$1.842 billion or 12%;
- Capital from Current (CFC) contributions total \$2.951 billion, representing 20% of total financing;
- Debt funding totals \$4.099 billion or 28% of financing over the 10 year planning horizon; and,
- Development Charges and "Other" sources, such as donations, contribution from developers and other third parties, provide \$855 million of total funding;
- \$700 million from future operating budget surpluses; monetization of City assets; and, additional expected Federal and Provincial funding, all dedicated to financing the TTC's 10-Year Capital Plan.

It should be noted that debt funding would otherwise increase by the equivalent amount without the CFC contributions of \$2.951 billion. Debt financing is also managed by limiting the City's debt based on the City's affordability to fund debt servicing costs. As a result, debt affordability targets are established for each City Program and Agency for each year of the 10 year capital plan period.

#### *Application of Operating Surplus*

Staff will be reporting the final 2011 operating surplus amount once the financial statement audit is complete and reported in June 2012. The City of Toronto policy approved by Council in 2004 states that the annual operating surplus be applied in priority order to the:

- a. Capital Financing Reserve (at least 75% of the surplus); and
- b. the remainder to fund any underfunded liabilities and / or reserve funds as determined by the Deputy City Manager and Chief Financial Officer.

The 2011 operating surplus is estimated to be \$154 million for the year end December 31, 2011 as of the third quarter year end forecast. City Council approved that of the estimated 2011 surplus of \$154 million, \$136 million is dedicated to the Capital Financing Reserve for the financing of Transit capital projects and that the remaining \$18 million be used to fund various services for the Toronto Transit Commission (\$5.000 million), Toronto Library (\$3.890 million), Shelter (\$1.972 million), CPIP Non-Arts Funding (\$2.295 million), and school based child rent subsidy (\$1.717 million). In addition, that future operating budget surpluses be allocated, unless otherwise directed by Council, to the Capital Financing Reserve until the \$700 million target in new financing committed for TTC capital projects, as established in the 2012 – 2021 Capital Plan, has been reached.

This strategy will ensure that the capital program is properly funded, reduce debt charge increases; and help maintain the necessary services that are needed by our residents.

#### *Monetization of City Assets*

The City owns interests in a considerable number of marketable assets, including real estate and government business enterprises. The City assets currently being considered as part of the monetization strategy include the following:

1. Continued review by Real Estate Services of City assets and monetization on an ongoing basis in partnership with Build Toronto.
2. Joint sale of 100% of the shareholders' interest in the Enwave Energy Corporation through a competitive auction.
3. Maximum 10% initial public offering of shares for the City's ownership in the Toronto Hydro Corporation.
4. Identification of options by the Toronto Parking Authority which emphasize revenue generation within its mandate.

The City's multi-year Capital Plan presents a funding challenge, resulting in increasing reliance on debt financing and curtailed capital expenditures, despite increases to contribution from capital (CFC). Debt service charges are approaching the City's 15% debt service ratio limit and are continuing to crowd out funding for operating expenditures. Therefore, proceeds from the monetization of City assets will be allocated to the Capital Financing Reserve for use in offsetting future debt requirements. Funding from the monetization of City assets will be primarily applied to the TTC's significant SOGR and need to increase ridership capacity. The 2012 – 2021 Capital Budget and Plan includes \$700 million in 2012 and future operating budget surpluses; proceeds from the monetization of City assets; and additional projected Federal and Provincial funding to help finance the TTC's multi-year Capital Plan.

#### *Development Charge Funding*

Development Charge funding has been utilized to the extent permissible in the 2012 – 2021 Capital Budget and Plan in order to mitigate the reliance on debt funding. Development Charge funding was directed to growth-related eligible capital projects, as required under Development Charge Legislation. As part of the Development Charges Bylaw, 2012 represents the second year of a four year (2011 – 2014) phase-in of the Council adopted development charge rate increases. As land development activity has been robust in 2010 and 2011, development charge funding provided for in the plan has reduced debt requirements by \$185.453 million over the 10 year planning period. These debt reductions are

reflected in the following programs: Parks, Forestry and Recreation (\$27.722 million); Transportation Services (\$112.552 million); and, TTC (\$61.291 million).

#### *Debt Financing*

As shown in Table 3, the City will retire and reissue debt totalling \$2.598 billion over the 10 year planning horizon that will have no incremental impact on debt service costs. After retiring and reissuing the \$2.598 billion, the total new debt requirement has been set at \$1.501 billion.

<b>Table 3</b> <b>2012 - 2021 Capital Budget and Plan</b> <b>Debt / Capital from Current (CFC)</b>								
<b>\$ Million</b>	<b>2011 Council Approved Debt/CFC</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2012 - 2016 Debt / CFC</b>	<b>2012 - 2021 Debt / CFC</b>
<b>Debt/CFC Requirement:</b>								
TTC (includes Spadina)	618	386	531	390	280	282	1,869	2,475
City Programs and Other Agencies	266	441	506	590	488	503	2,528	4,575
<b>Total Planned Debt</b>	<b>718</b>	<b>827</b>	<b>1,037</b>	<b>980</b>	<b>768</b>	<b>785</b>	<b>4,397</b>	<b>7,050</b>
Capital from Current (CFC)	181	199	219	241	265	292	1,216	2,951
<b>Total Debt Requirement</b>	<b>537</b>	<b>628</b>	<b>818</b>	<b>739</b>	<b>503</b>	<b>493</b>	<b>3,181</b>	<b>4,099</b>
Baseline Debt - Retire/Reissue	200	0	120	228	300	475	1,123	2,598
<b>New Debt Requirement</b>	<b>337</b>	<b>628</b>	<b>698</b>	<b>511</b>	<b>203</b>	<b>18</b>	<b>2,058</b>	<b>1,501</b>

Table 3 shows that new debt will be required mainly to fund the TTC. The CFC allocation is largely dedicated to the City's capital projects that have a service life less than 10 years. The TTC's debt requirement is \$2.475 billion, inclusive of the Spadina Subway Extension Project; transit fleet replacement; and, other capital works that have a service life of close to 30 years.

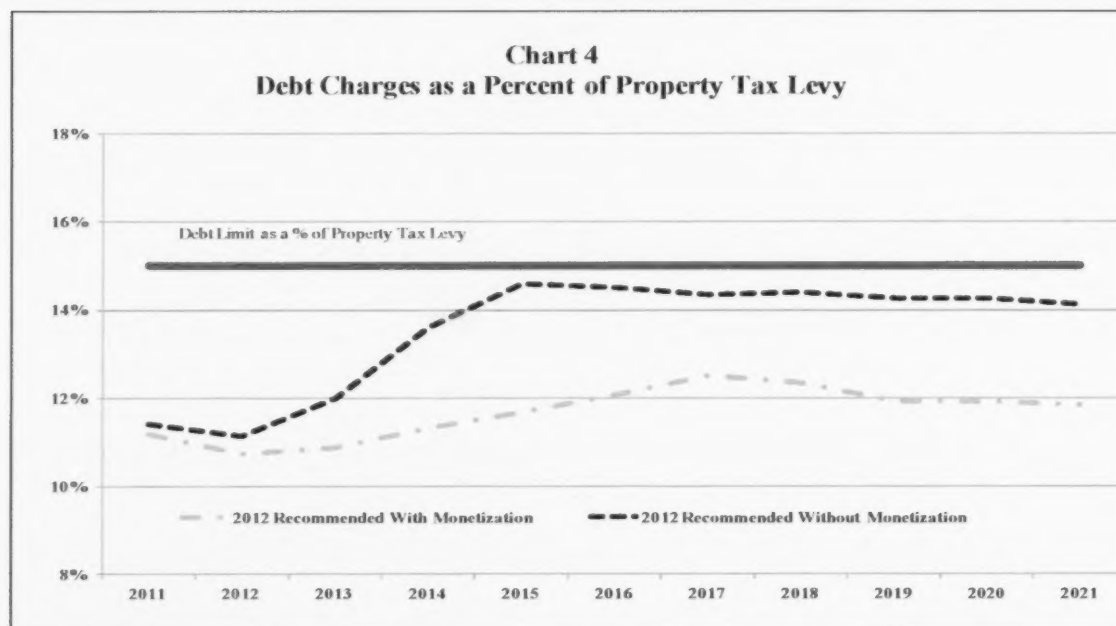


### Debt Service Ratio

At its meeting of February 23 and 24, 2011 (EX3.3), Council adopted a maximum limit of 15% of debt service charges as a percentage of property taxes. This reaffirmed the limit which was established by Council in 2006.

As a result of the monetization strategy and reduced interest rates, the debt service charge ratio resulting from the 2012 – 2021 Capital Budget and Plan will not exceed the approved 15% debt service charge guideline, as shown in Chart 4.

There are two important factors to consider in Chart 4. First, operating budget pressures from debt charges over the next several years will be significantly moderated by applying most of the \$700 million in new financing from 2012 and future operating budget surpluses; asset monetization; and expected new Federal and Provincial funding in the first five years of the Capital Plan. Instead of debt charges increasing by \$40 million to \$50 million in each of the next three years, the increases will be much more moderate and for 2012, debt charges will be essentially the same as 2011.



Second, the buffer between the forecasted debt charges and the 15% limit is wider. This provides the City with room for unforeseen capital emergencies and to accommodate higher interest rates, if required. However, the buffer should not be considered as a funding source for adding capital projects over the 10 year planning horizon.

### *Authority to Issue Debentures During 2012*

The proceeds from debentures to be issued will be used to finance capital expenditures that have been incurred or committed for approved projects. The Authority to borrow up to \$900 million for City purposes in each year, 2012, 2013 and 2014, has been authorized under Bylaw # 330-2011 in order to maintain flexibility and the ability to finance:

- Capital expenditures that were previously approved but not yet permanently financed; and,
- Debenture requirements as contained in the 2012 – 2021 Capital Budget and Plan, were approved by Council on January 17, 2012.

The Deputy City Manager and Chief Financial Officer confirms that borrowing up to \$900 million to fund 2012 capital expenditures (i) can be financed by the issuance of debentures with terms not to exceed 30 years; and, (ii) will not increase tax-supported debt charges as a percent of the property tax levy to exceed 15%. The Deputy City Manager and Chief Financial Officer further confirms that funds are available from the other sources identified in the 2012 Capital Budget.

### *Approval of the 2012 Sinking Fund Levies*

The City of Toronto Act (CoTA), sub-section 255 (4) states that, "If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the City treasurer shall prepare for City Council, before the budget for the year is adopted, a statement of the amount." This report requests Council's approval for the 2012 sinking fund levies of \$129.885 million for the City and \$2.294 million for the Toronto District School Board (TDSB). Sinking fund levies for the TDSB will be fully recovered.

### *Incremental Operating Impacts*

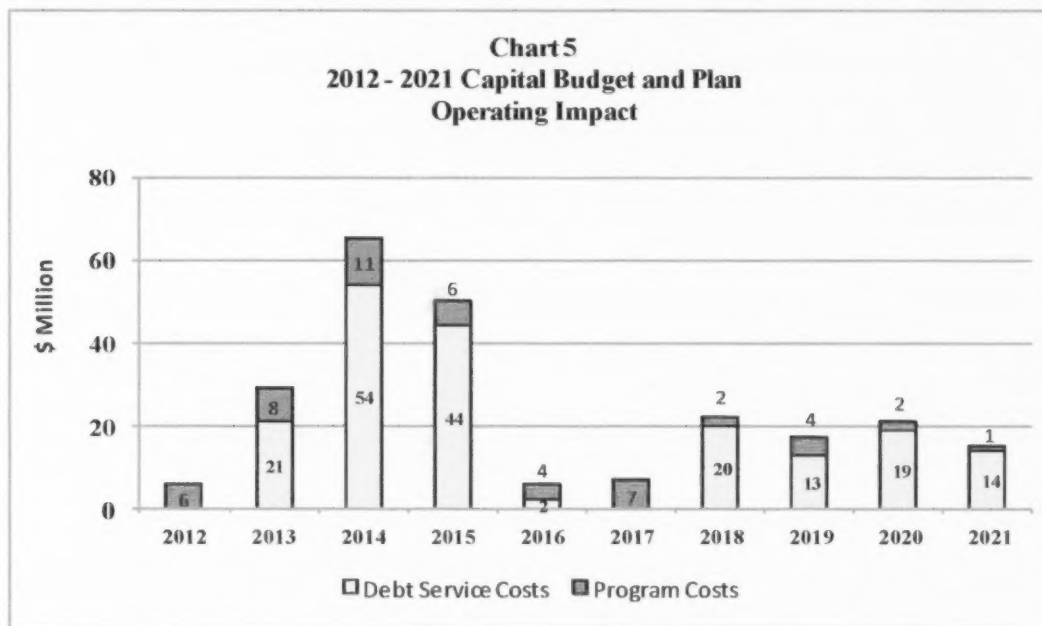
As part of the annual capital budget process, the incremental cost impact on the operating budget of each project over its useful life is estimated and evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10-Year Capital Budget and Plan are both accurate and affordable, and to factor these cost increases in the annual operating budget and forecasts. Similarly, incremental operating savings or revenues arising from the completion of capital projects are also captured.

Capital projects impact the operating budget in the following ways:

- Principal repayment and interest payments on debt issued to finance the capital plan;
- Increased operating costs including on-going maintenance and programming costs for new infrastructure, rehabilitated or expanded facilities;
- Efficiency savings from capital investments that reduce operating costs; and / or,

- Direct contributions from the operating fund to finance pay-as-you-go capital projects thereby reducing the annual borrowing requirements.

The incremental operating impact, including debt charges over the 10-Year Capital Plan totals \$235 million over the 10 year period, as set out in Chart 5 below.



Incremental debt service charges of \$184 million represent interest and principal repayment on new debt over the term of the 10-Year Capital Plan; and, incremental net increases to City Program and Agency operating costs are estimated at \$51 million. Program costs are included in the operating budget of the appropriate City Program or Agency; while debt service costs are provided for in the capital and corporate financing account.

## COMMENTS

### Major Challenges

Major challenges for the 2012 multi-year Capital Planning Process included:

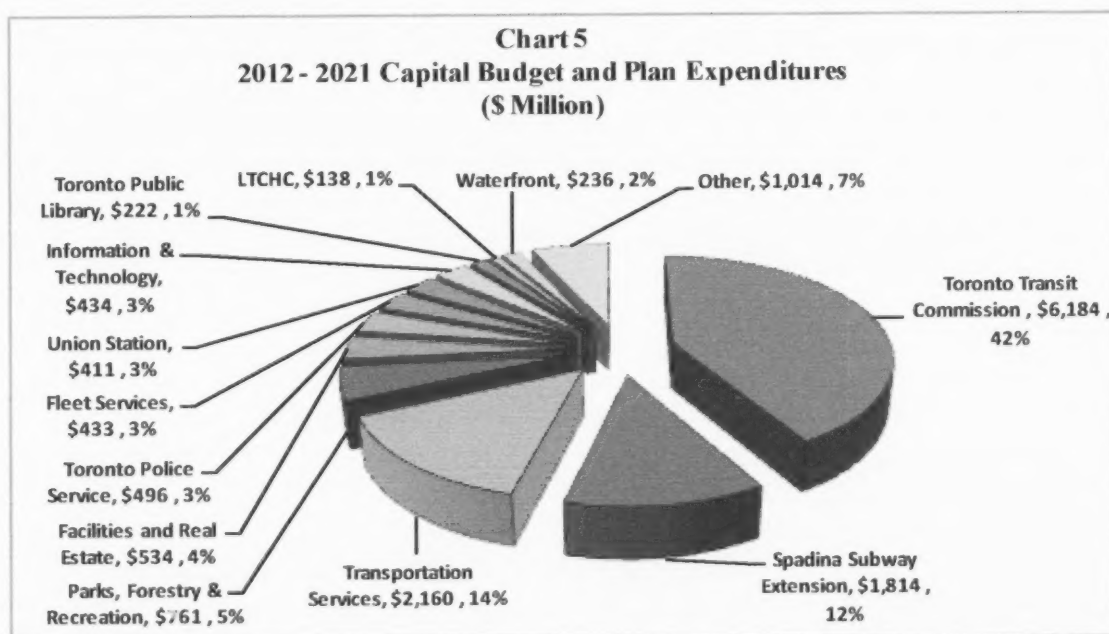
- Addressing the Toronto Transit Commission's \$2.300 billion capital program funding shortfall. As part of the 2011 Capital Budget Process, City Council approved TTC funding limited to 2011 capital works and future year cash flow commitments.
- Uncertainty over the timing and level Federal and Provincial funding.
- Ensuring that debt costs remain below the 15% approved by Council.

### 2012 – 2021 Capital Budget and Plan

The 2012 – 2021 Capital Budget and Plan satisfies Council's policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meet legislated requirements, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. Balancing the extensive capital maintenance needs of the City's massive and aging infrastructure against demands for new investments to satisfy the service requirements of a growing population and emerging priorities within affordable limits continues to be a challenge for the City.

The 2012 – 2021 Capital Budget and Plan totals \$14.836 billion (excluding 2011 funding carried forward into 2012). TTC alone accounts for the majority of the expenditures in the 10 year capital spending plan.

Inclusive of the Spadina Subway Extension Project, the TTC's 2012 – 2021 Capital Budget and Plan is \$7.998 billion representing approximately 54% of the total spending in the Capital Plan while Transportation Services totals \$2.160 billion or 15%. Taken together, transit and transportation capital works account for 68% of the expenditures in the 2012 – 2021 Capital Budget and Plan, as outlined in Chart 6 below.



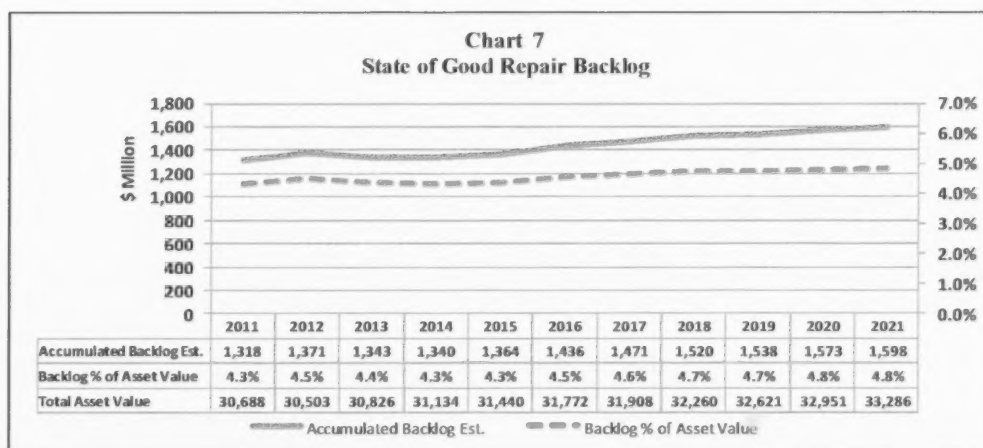
## State of Good Repair (SOGR) Backlog

Managing the accumulated SOGR backlog is a key capital policy objective and priority. The City's expansive infrastructure is aging which places a huge burden on limited financial resources to ensure that capital assets are kept in a state of good repair. For example, 70% of the road network is over 30 years old; 50% of the water network is over 50 years old; and, 68% of all City assets are in excess of 30 years old. Neglecting to maintain the infrastructure on a timely basis invariably leads to higher rehabilitation, restoration and replacement costs to taxpayers in the future.

The SOGR backlog will change marginally between 2012 and 2015. Estimates indicate that the accumulated SOGR backlog will start increasing from 2016 – 2021 to approximately \$1.598 billion even though SOGR spending grows from approximately 59% of total expenditures from 2012 – 2016 to 83% in 2017 – 2021. In part, the increase in SOGR backlog is predicated on the aging and growth in the City's infrastructure and capital assets, and the rising cost of maintenance because of inflation.

The accumulated SOGR backlog, as a percentage of asset value, is not uniform over the 10-Year Capital Plan. The accumulated SOGR backlog, as a percentage of asset value, is 4.5% in 2012; declines to 4.3% in 2015; and, grows to 4.8% in 2021, as outlined in Chart 7.

To further reduce the SOGR backlog, the City needs sustainable and predictable funding to invest in capital asset maintenance and replacement in order to restore its infrastructure to the desired state of good repair. New funding strategies must be pursued in order to reduce the burden on debt financing while achieving the desirable goal of fully addressing the SOGR backlog and growth related infrastructure demands. A need exists to rationalize assets, seek opportunities to colocate similar services and reduce costs and explore possible best and highest uses of current City assets to help finance the capital program. It is noted that additional new debt issuance is not a tenable option as the City addresses its structural fiscal deficit. The City will continue to ensure that the highest priority and most urgent capital maintenance projects are implemented and that risks of further deterioration of the existing infrastructure are mitigated.



## What is Being Built - Project Highlights



Listed below are key projects to be delivered by the 2012 – 2021 Capital Budget and Plan. These projects contribute toward fulfilling the City's priorities and on ensuring that the assets used to deliver services to the public are maintained. The projects highlighted below indicate major deliverables / outcomes, delivery date and the 2012 – 2021 cash flow funding.

***A major priority of Council is to make Toronto a City that moves people by transit and manages its extensive and aging infrastructure in a state of good repair to ensure required services continue to be provided. The 2012 – 2021 Capital Budget and Plan include projects that will:***

- Maintain 1,000 km of roads, 50 km of expressways, 600 km of sidewalks and 150 bridges and structures in a safe and hazard-free state (2012 – 2021 \$1.477 billion).
- Design and redevelop the Six Points Interchange to simplify the road network, create a more attractive and safe environment for pedestrians and cyclists and improve access to the Kipling Subway Station (2015 – 2018 \$40.548 million).
- Complete up to 100 km of off-street bicycle paths, 80 km of critical on-street connections and 8,000 new bicycle parking spaces throughout the City (2012 – 2021 \$87.209 million).
- Purchase 354 of 420 new subway cars (59 of 70 train sets) to replace aging subway cars and increase capacity by 9% (2012 – 2015 \$303.604 million).
- Acquire 213 new buses to improve service by 2016 (2012 – 2016 \$194.597 million).
- Purchase 189 low-floor, accessible light rail vehicles to replace the existing streetcar fleet (2012 – 2018 \$783.951 million).
- Make progress on the Easier Access Program to ensure that the TTC is fully accessible by 2025 (2012 – 2021 \$266.051 million).
- Continue installation of state-of-the-art signaling systems on the Yonge-University-Spadina line to increase train capacity by allowing trains to run more frequently and closer together (2012 – 2021 \$287.660 million).
- Continue to revitalize Union Station with improvements to its transportation and retail spaces (2012 – 2021 \$411.322 million).
- Continue to construct Union Station's Second Platform (2012 – 2015 \$48.023 million).

***Public safety and responsive emergency services are a major priority of the citizens of Toronto. To this end, the 2012 – 2021 Capital Budget and Plan include projects that will:***

- Replace the radio communication system shared by the Toronto Police Service, Fire Services and Emergency Medical Services by 2014 (2012 – 2014 \$69.122 million).

- Replace firefighters' bunker suits (2015 – 2020 \$8.2 million), breathing apparatus (2012 – 2013 \$5.824 million), and portable radios (2017 \$5.000 million).
- Complete construction of the new Fire Station D to improve emergency response times in Scarborough (2012 – 2013 \$4.806 million).
- Complete construction of the Chaplin Fire Station to ensure emergency response times are supported while properly accommodating staff and vehicles (2012 – 2013 \$4.634 million).
- Construct new Fire Station B to improve emergency response times in Downsview (2012 – 2014 \$9.885 million).
- Construct new Fire Station A to improve emergency response times near Highway 27 and Rexdale Blvd. (2014 – 2016 \$7.242 million).
- Install an electronic card-access security system in 45 EMS locations to enhance security (2012 – 2013 \$1.682 million).
- Construct a new facility for EMS District 4 – Service District Centre at a site adjacent to the District 3 site which will improve operational efficiencies (2012 – 2014 \$5.000 million).
- Replace EMS defibrillators (2015 – 2017 \$7.000 million) and portable radios (2016 \$1.000 million).
- Construct a new facility for EMS District 5 – Service District Centre which will allow EMS to consolidate Special Operations Units under one building (2018 – 2021 \$7.200 million).
- Complete replacement of Police Service's 14 Division (2012 \$8.910 million).
- Renovate Police Service's property and evidence facility at 330 Progress Ave. (2012 – 2013 \$9.729 million).
- Relocate and replace Police Service's 54 Division (2014 – 2016 \$36.446 million).
- Relocate and replace Police Service's 41 Division (2015 – 2018 \$39.079 million).
- Relocate and replace Police Service's 13 Division (2017 – 2020 \$39.079 million).
- Renovate Police Service's 32, 52, 55 and 22 Divisions (2018 – 2021 \$24.557 million).
- Maintain valley and waterfront from damage due to high intensity and localized storms (2012 – 2021 \$76.938 million).

***The City offers community programs and services that improve the quality of life of all its citizens and ensure opportunity for all. The 2012 – 2021 Capital Budget and Plan include projects that will:***

- Maintain 10 long term care homes to meet Ministry of Health and Long Term Care compliance requirements regarding safety (2012 – 2021 \$72.469 million).
- Redevelop the 337 bed Kipling Acres Long Term Care Home based on revised Provincial standards and requirements (2012 – 2015 \$78.500 million).
- Complete alarm upgrades to long term care homes as part of the Long Term Care Act upgrades (2012 \$0.500 million).
- Continue the redevelopment of parkland such as June Callwood Park (2012 – 2013 \$2.350 million), Canada Arsenal (Marie Curtis) Park (2012 \$2.000 million), Grange Park (2012 – 2013 \$4.949 million), and dogs off-lease area improvements (2012 – 2016 \$3.000 million).

- Continue construction of the new Visitor Centre at Fort York (2012 \$23.325 million).
- Construct various community centres, including York Community Centre (2012 – 2013 \$22.500 million) and Regent Park Community Centre (2012 – 2013 \$17.300 million).
- Continue the replacement of the Regent Park Aquatic Centre (2012 \$4.100 million).
- Continue the expansion of the Leaside Memorial Gardens Arena (2012 – 2013 \$12.100 million).
- Maintain in a state of good repair the harbourfront, marine service and seawall (2012 \$4.800 million) and special facility building structures (2012 \$3.150 million).
- Continue the construction phase of the Toronto Reference Library Revitalization Project to address structural, mechanical, and electrical requirements, and improve interior layouts to allow for additional programming and studying spaces (2012 – 2015 \$16.860 million).
- Continue planning work and start construction on two new library branches:
  - Fort York / Bathurst Library Project to establish a new library for the Railway Lands area scheduled to be open by 2015 (2012 – 2014 \$8.310 million); and,
  - Scarborough Library Project to begin construction of a new library for the Scarborough Civic Centre area to address the significant increase in service demand due to recent residential development (2012 – 2015 \$8.067 million).
- Complete the Self Service Circulation Project at 18 libraries (2012 \$1.971 million) that will result in operational efficiencies and savings of \$0.217 million; the Malvern Library Youth Centre Project (2012 \$0.700 million) that will provide additional programming space for youth programs in an under-served community; and, the Brentwood Library Renovation and Expansion Project to open by the summer of 2012 (2012 \$2.435 million).
- Upgrade the Squirrels' Nest Day Care Centre (2012 \$0.375 million).
- Continue the construction of the Nelson Mandela Public School renovation as part of the Regent Park Revitalization Project (2012 \$0.503 million).

***Residents will be provided with direct and simple access to City staff and services. The 2012 – 2021 Capital Budget and Plan include projects that will:***

- Complete the 311 Toronto integration with Parks, Forestry and Recreation registration; develop a common scheduler for City programs; and, improve divisional updates and on-line information for public access (2012 – 2016 \$7.962 million).
- Continue the development of the Case Management Phase 2 Project that will improve administration efficiency through the development of the City Services Card and the Employment Opportunities System, while ensuring a smooth migration to the new Provincial Social Services Solution Moderation Project (SSSMP) (2013 \$2.300 million).
- Upgrade system hardware and replace equipment for the Provincial Offences Act (POA) Court Case Management System (2012 – 2014 \$0.822 million).
- Complete the Public Health Surveillance and Management System Project that will implement a new Provincial infectious disease surveillance and management system (2012 \$0.398 million).
- Complete the Open Data Project to promote transparent and open government in the City of Toronto (2012 – \$0.150 million).

- Complete the Municipal Licensing and Standards (ML&S) Case Management System Project to enhance the capacity to investigate and resolve all ML&S enforcement inquiries (2012 – \$0.402 million).
- Continue the Toronto Building eService Project to realize the eCity vision of providing City services anywhere, any time to residents, developers, and business community (2012 – 2021 \$6.646 million).
- Continue the Integrated Telecom Infrastructure Project to implement advanced communication methodologies, protocols, and transmission technologies for delivery of voice and data communications and multimedia sessions (2012 – 2014 \$9.314 million).
- Begin the Central Property Database/One Address Repository Project to develop a central property database that will be utilized to link and integrate all property based information systems, databases and other repositories across all City divisions. (2012 – 2015 \$2.200 million).
- Complete the purchase of a Mobile Dental Clinic which is 100% Provincially funded as part of the Healthy Smiles Ontario (HSO) Dental Program for children and youth in Toronto (2012 \$0.450 million).
- Continue HF/HL Systems Integration Project that will develop and integrate several different systems into the Toronto Community Health Information System (TCHIS) framework including the Provincial Integrated Services for Children Information System (ISCIS) (2012 – 2013 \$4.485 million).
- Continue the Web ReBrand Project that will redesign the Toronto Public Health website and implement content management software to automate web postings (2012 – 2015 \$2.517 million).
- Continue the next phase of the Children Services Information System (CSIS) III Information Technology (IT) system upgrade for Children's Services (2012 – 2014 \$3.550 million).

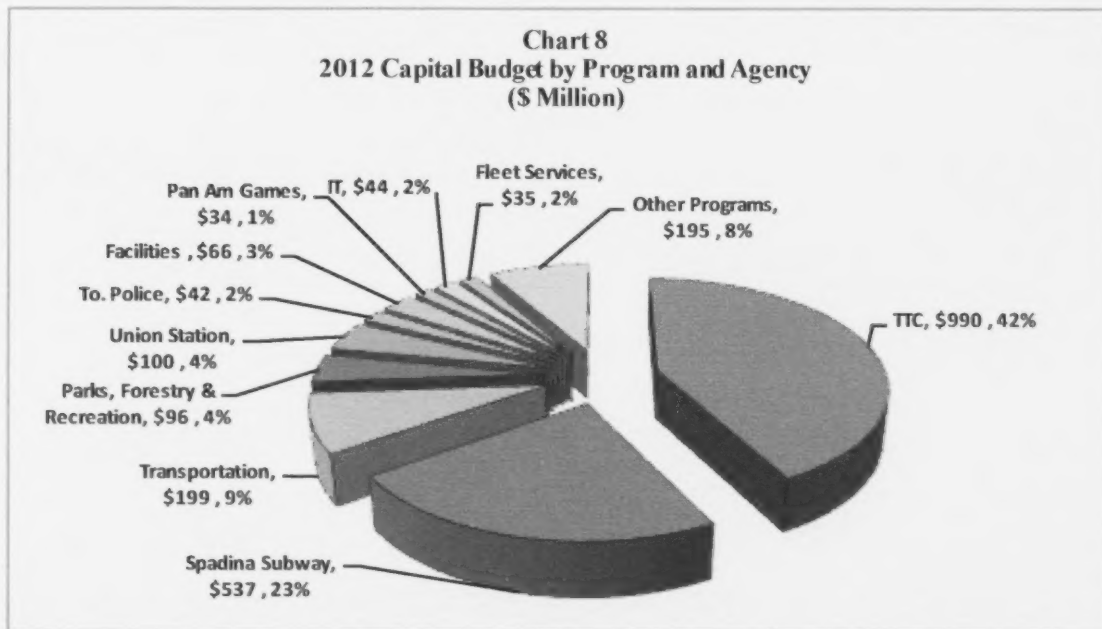
***The City is investing in public spaces that are developed and maintained in a clean and beautiful condition for the general community. The 2012 – 2021 Capital Budget and Plan include projects that will:***

- Improve public spaces across the City as part of the Civic Improvement Initiative (2012 – 2021 \$29.134 million).
- Revitalize Nathan Phillips Square with modifications to meet functional requirements for hosting a greater number and variety of public activities and special events (2012 – 2013 \$19.977 million).
- Redevelopment of St. Lawrence Market North which will result in a multi-purpose, multi-storey facility containing a public market at grade and compatible ancillary uses on a mezzanine overlooking the market hall, three levels of POA traffic courts above grade, and three levels of parking below grade (2012 – 2016 \$60.636 million).
- Continue development of the West Don Lands and East Bayfront Precincts and Queens Quay Revitalization (2012 – 2016 \$137.477 million).
- Develop various waterfront sites including Port Union, Sherbourne and Don River Park (2012 – 2016 \$5.148 million).
- Construct Fort York Pedestrian / Cycling Bridge (2013 \$17.942 million).
- Improve Business Improvement Areas (BIA) streetscapes (2012 – 2013 \$3.524 million).
- Continue restoration of Casa Loma (2012 – 2013 \$1.519 million).

## 2012 Capital Budget

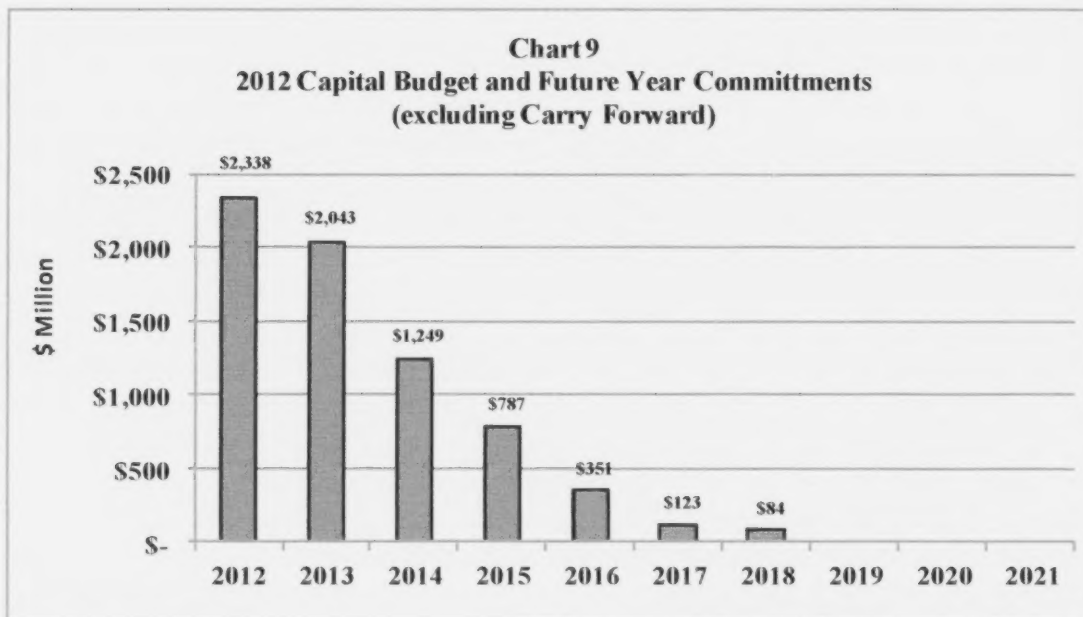
The 2012 Capital Budget, excluding 2011 carry forward funding, totals \$2.338 billion. Chart 8 shows the 2012 Capital Budget of \$2.338 billion by major Program and Agency. Capital spending for the TTC (inclusive of the Spadina Subway Extension Project) represents 65% or \$1.527 billion of the total capital expenditures for 2012, followed by Transportation Services which accounts for 9% or \$198.865 million.

The Revitalization of Union Station accounts for 4% or \$100.160 million of the 2012 Capital Budget of which 38% is funded by the Federal and Provincial governments.



## 2012 Capital Budget and Future Year Commitments





Approval of the 2012 Capital Budget of \$2.338 billion (excluding 2011 funding carried forward into 2012) will commit the City to future year cash flow funding of \$2.043 billion in 2013; \$1.249 billion in 2014; \$787.361 million in 2015; \$350.992 million in 2016; and, \$207.344 million from 2017 to 2021, as outlined in Chart 9.

### **2012 Capital Budget Including Carry Forward Funding**

In accordance with the City's Carry Forward Funding Policy, financing to continue work on 2011 projects that were not completed as planned, require Council approval. A capital project with carry forward funding is a previously approved project for which approved capital work was not completed on schedule and the associated cash flow budget was not fully spent and / or committed in the year of approval. In these situations, the unspent amount, or a portion thereof, will be required in future years to complete the project and is carried forward to the following year and added to the new cash flow estimates.

The cash flow requirement for 2011 capital projects that were not completed as planned and for which work must continue in 2012 totals \$443.847 million which is carried forward into 2012. As a result, the 2012 cash flow funding totals \$2.782 billion, comprised of funding for the following 2011 carry forward projects of \$443.847 million; new and change in scope projects of \$376.077 million; and, previously approved projects of \$1.962 billion, as set out in Table 4.

**Table 4**  
**2012 Council Approved Cash Flow**  
**- Including 2011 Carry Forward Funding**  
**(\$ Millions)**

Programs / ABCs	2011 Council Approved Cash Flow	2012 Cash Flow				
		2011 Carry Forward Funding	2011 Capital Budget			Total 2012 Cash Flow
			New and Change in	Previously Approved	2012 Capital	
Citizen Centred Services 'A'	232	69	70	80	150	219
Citizen Centred Services 'B'	410	57	106	114	220	277
Internal Services	217	19	57	113	170	189
Other City Programs	297	43	9	152	161	204
before TTC	172	17	63	47	110	127
<b>Total City Operations Before TTC</b>	<b>1,328</b>	<b>205</b>	<b>305</b>	<b>506</b>	<b>811</b>	<b>1,016</b>
Toronto Transit Commission (TTC)	1,396	239	71	1,456	1,527	1,766
<b>Total - Tax Supported Program</b>	<b>2,724</b>	<b>444</b>	<b>376</b>	<b>1,962</b>	<b>2,338</b>	<b>2,782</b>

### Toronto Transit Commission

The TTC's 10-Year Capital Budget and Plan totals \$7.998 billion of which \$1.814 billion is allocated to the Spadina Subway Extension Project. Excluding the Spadina Subway Extension, the TTC's 10-Year Capital Budget and Plan is \$6.184 billion which includes debt financing of \$2.475 billion.

In 2011, the TTC submitted a 2011 – 2020 Capital Budget and Plan totalling \$7.593 billion in expenditures, requiring \$4.394 billion in debt funding. This request exceeded the TTC's 2011 – 2020 debt target by \$2.265 billion, which was not affordable and not approved by Council, as shown in Table 5. City Council approved TTC funding limited to 2011 capital works and future year cash flow commitments, as outlined in the middle column of Table 5.

**Table 5**  
**TTC Approved 2011 - 2020 Capital Budget and Plan vs.**  
**2012 Budget Committee Recommended Capital Budget and Commitments**

<b>\$ Billion</b>	<b>2011 to 2020 Submitted Capital Plan</b>	<b>2011 Approved Budget &amp; Commitments</b>	<b>Remainder of 2012 to 2020 Submitted Capital Plan</b>
Gross Expenditure	7.593	3.437	4.156
<b>Funding Sources:</b>			
Provincial Subsidy	1.325	0.788	0.537
Federal Subsidy	1.592	0.538	1.054
DC	0.054	0.039	0.015
Other	0.229	0.055	0.174
Total Funding Sources	3.200	1.421	1.779
Required Debt	<b>4.394</b>	<b>2.016</b>	<b>2.378</b>
Debt Target	<b>2.129</b>	<b>2.129</b>	<b>0.113</b>
Debt Shortfall	<b>2.265</b>	<b>(0.113)</b>	<b>2.265</b>

To address the \$2.265 billion shortfall in funding, TTC completed a comprehensive review of their 10 year capital program funding requirements in 2011. The TTC revised the capital plan by reducing or deferring various projects in the amount of \$1.116 billion as outlined in Table 6.

<b>Table 6</b>	
<b>TTC Debt Target Shortfall</b>	
	<b>\$Million</b>
<b>2011-2020 Debt Target Shortfall</b>	<b>2,265</b>
<b>2012-2020 Reductions</b>	
Purchase of Subway Cars	(161)
Purchase of Streetcars	(83)
Sub-total	(244)
Toronto Rocket Yard & Storage Track Accommodation	(208)
Platform Edge Doors	(177)
ATC Resignalling Project	(142)
Other Buildings and Structures	(84)
Fire Ventilation Upgrade	(81)
Fare System	(38)
Other Projects	(143)
<b>Total 2012 - 2020 Project Reductions</b>	<b>(1,116)</b>
<b>Net Debt</b>	<b>1,149</b>

To address the remaining \$1.149 billion funding deficit, the TTC's 2012 - 2021 Capital Plan includes the use of operating budget surpluses beginning in 2012; proceeds from the monetization of City assets and additional expected Federal and/or Provincial funding (\$700.0 million); applied unused previous year debt allocation from the 2011 - 2020 Capital Plan of (\$257.0 million); additional debt target funding for 2021 (\$174.0 million); and, maximization of other funding increases, such as development charges, etc. (\$80.0 million), these sources of funding total \$1.211 billion. After the application of these funding sources, TTC's 10-Year Capital Budget and Plan is \$62.426 million or 2% under the 10 year debt target of \$2.322 billion, excluding the Spadina Subway Extension Project.

## Rate Supported Programs

### Toronto Parking Authority (TPA) 2012 – 2021 Capital Budget and Plan

The Toronto Parking Authority's 2012 – 2021 Capital Budget and Plan totals \$357.720 million, excluding carry forward funding from 2011 of \$18.075 million, as shown in Table 6.

Over the 10 year planning horizon, the TPA is 100% self-sustaining with no debenture financing and with no impact on the municipal property tax levy. As shown in Table 6, the 2012 – 2021 Capital Budget and Plan is funded primarily from current and future retained earnings (RE), which account for 72% or \$256.520 million of the new cash flow funding of \$357.720 million. Other funding sources include contributions from reserves and reserve funds (\$6.000 million or 2%) and use of proceeds from the sale of air-rights (\$95.200 million or 27%).

Funding for the 2012 Capital Budget and 2013-2021 Capital Plan balances infrastructure renewal needs for SOGR, Service Improvement and Growth Related projects. As indicated in Table 7, 70% or \$250.920 million of the TPA's 2012 – 2021 Capital Budget and Plan is allocated to Service Improvement projects, 17% or \$60.300 million is allocated for Growth Related projects, and, 13% or \$46.500 million is allocated to SOGR projects.

Table 7 Solid Waste Management 2012 - 2021 Capital Budget and Plan by Category and Funding Source									
(\$ Million)	Capital Plan					2012 - 2016		2012 - 2021	
Expenditures:	2012	2013	2014	2015	2016	Total	%	Total	%
State of Good Repair	6.4	5.1	5.0	5.0	5.0	26.5	16.2%	46.5	13.0%
Service Improvements	21.8	21.8	32.0	16.8	19.5	111.9	68.4%	250.9	70.1%
Growth Related	4.0	2.2	3.7	7.7	7.9	25.3	15.5%	60.3	16.9%
Total Expenditures	32.1	29.1	40.7	29.4	32.4	163.7	100%	357.7	100.0%
Funded By:									
Reserve/Reserve Funds	3.9	0.1				4.0	2.4%	6.0	1.7%
Current & Future RE	28.2	18.1	31.4	29.4	13.4	120.5	73.6%	256.5	71.7%
Sale of Air-Rights		10.9	9.3		19.0	39.2	23.9%	95.2	26.6%
Total Funding	32.1	29.1	40.7	29.4	32.4	163.7	26.4%	357.7	100.0%

The 10-Year Capital Budget and Plan invests \$317.720 million in funding for the expansion and/or new development of 60 off-street parking facilities to satisfy current and future demand. Maintenance projects at various facilities which extend the useful life of assets; ensure service reliability; and, postpone infrastructure replacement are also included. These activities required in the 10-Year Capital Plan, include projects such as upgrades to existing lighting; sprinklers and fire alarms; and, replacement of elevators and bumper fences.

## Toronto Water – 2012 – 2021 Capital Budget and Plan

The Council approved Toronto Water 2012 – 2021 Capital Budget and Plan totals \$7.876 billion. Over the 10-year planning horizon, Toronto Water continues to be 100% self-sustaining with no debenture financing. The program primarily funded from Reserve / Reserve Funds as illustrated in Table 8 below.

<b>Table 8</b> <b>Toronto Water</b> <b>2012 - 2021 Capital Budget and Plan</b> <b>by Category and Funding Source</b>									
<b>(\$ Million)</b>	<b>Capital Plan</b>					<b>2012 - 2016</b>		<b>2012 - 2021</b>	
<b>Expenditures:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Health and Safety	10.9	15.0	15.6	10.7	7.8	60.0	1.7%	72.0	0.9%
Legislated	22.4	36.1	56.2	59.4	85.4	259.5	7.3%	669.8	8.5%
State of Good Repair	369.2	402.7	441.0	457.6	446.8	2,117.2	59.7%	4,689.8	59.5%
Service Improvements	145.5	156.4	180.8	194.7	182.9	860.4	24.3%	1,852.7	23.5%
Growth Related	59.5	46.7	44.3	45.2	51.7	247.4	7.0%	591.9	7.5%
<b>Total Expenditures</b>	<b>607.5</b>	<b>656.8</b>	<b>738.0</b>	<b>767.6</b>	<b>774.6</b>	<b>3,544.5</b>	<b>100%</b>	<b>7,876.2</b>	<b>100.0%</b>
<b>Funded By:</b>									
Reserve/Reserve Funds	558.9	624.4	704.3	746.1	757.5	3,391.2	95.7%	7,541.2	95.7%
Development Charges	15.4	7.3	8.0	8.2	9.2	48.1	1.4%	95.2	1.2%
Other Revenue	33.2	25.1	25.8	13.3	7.9	105.3	3.0%	239.8	3.0%
<b>Total Funding</b>	<b>607.5</b>	<b>656.8</b>	<b>738.1</b>	<b>767.6</b>	<b>774.6</b>	<b>3,544.6</b>	<b>100.0%</b>	<b>7,876.2</b>	<b>100.0%</b>

The 10-Year Council approved Capital Plan allocates significant financial resources to fund priorities in the following categories:

- State of Good Repair (SOGR) projects comprise 60% or \$4.690 billion of capital works over the 10-year period to maintain Toronto's capital infrastructure with an estimated replacement cost of \$27.865 billion. SOGR projects continue to drive the Toronto Water's capital program.
- Service Improvement projects represent approximately 24% or \$1.853 billion (\$860.378 million over the first five years) of total funding in the 10-Year Capital Plan. Funding for Service Improvement projects increases by an average of \$13.5 million in the second 5 years of the 10-Year Capital Plan period to fund additional Basement Flooding and Storm Water Management project requirements as well as increased funding required for the Biosolids Management project at the Highland Creek Wastewater Treatment Plant.

The 2012 Capital Budget includes the completion of the Coxwell Sanitary Trunk Sewer By-pass, Avenue Road Trunk Watermain, Horgan Water Treatment Plant Expansion, and the Ashbridges Bay WWTP Primary Treatment and Odour Control (D-Building).



## Solid Waste Management – 2010 - 2019 Capital Budget and Plan

The Council approved 2012 – 2021 Capital Budget and Plan for Solid Waste Management totalling \$516 million as shown in Table 9. The program focuses on funding major diversion facilities in the first 5 years to achieve the 70% diversion target as well as ongoing yard waste collection, Transfer Station Asset Management and Perpetual Care associated with closed landfills.

<b>Table 9</b> <b>Solid Waste Management</b> <b>2010 - 2019 Capital Budget and Plan</b> <b>by Category and Funding Source</b>									
(S Million)	Capital Plan					2012 - 2016		2012 - 2021	
Expenditures:	2012	2013	2014	2015	2016	Total	%	Total	%
Legislated	37.6	15.4	14.3	10.0	10.1	87.3	21.0%	156.7	30.4%
State of Good Repair	8.8	6.0	5.5	10.0	5.0	35.3	8.5%	57.0	11.1%
Service Improvements	13.3	54.5	136.7	87.4	1.2	293.1	70.5%	302.1	58.6%
<b>Total Expenditures</b>	<b>59.7</b>	<b>76.0</b>	<b>156.5</b>	<b>107.4</b>	<b>16.2</b>	<b>415.7</b>	<b>100%</b>	<b>515.7</b>	<b>100.0%</b>
<b>Funded By:</b>									
Debt ((Recoverable)	42.7	50.6	96.5	52.4	4.3	246.5	59.3%	309.1	59.9%
Reserve/Reserve Funds	17.0	12.4	12.0	16.7	11.9	70.0	16.8%	107.5	20.8%
Other		13.0	48.0	38.2		99.2	23.9%	99.2	19.2%
<b>Total Funding</b>	<b>59.7</b>	<b>75.9</b>	<b>156.5</b>	<b>107.4</b>	<b>16.2</b>	<b>415.7</b>	<b>100.0%</b>	<b>515.7</b>	<b>100.0%</b>

Achieving a waste diversion rate target of 70% through *Service Improvement Projects* continues to drive Solid Waste Management Services capital program. Service Improvement projects comprise approximately 60% of the 10-year capital Budget and Plan and include:

- Diversion Systems (\$33.527 million) that provide SSO containers for single family homes and multi-residential buildings and the Diversion Facility Asset Management project;
- Construction of recycling, organics processing and the reuse of durable household goods facilities including:
  - Disco Source Separated Organics(SSO) Facility (\$7.2 million in 2012, \$2.3 million in 2013);
  - Dufferin SSO Facility (\$1 million in 2012, \$4 million in 2013, \$15 million in 2014 and \$5 million in 2015);
  - Mechanical and Biological Treatment Facility (\$0.7 million in 2012, \$26.8 million in 2013, \$96 million in 2014 and \$76.5 million in 2015); and,
  - Reuse Centres (\$2.3 million in 2012, \$8.3 million in 2013 and \$9.5 million in 2014) in order to facilitate the recycling and reuse of durable household goods.
- Legislated and State of Good Repair projects represent the remaining 40% or \$213.7 million over the 10 Year Capital Budget and Plan. :
  - Legislated projects include the ongoing development of the Green Lane Landfill (\$86.6 million) and Perpetual Care of Old Landfills (\$70.1 million). The expenditures include, for 2012, the capitalization of interest costs of \$22.9 million for the 2007 purchase of Green Lane.

Included in Green Lane Development project are the Buffer Land Acquisition costs of \$15 million, Cell Excavation and Construction project costs of \$29.7 million and the Control System project expenditures of \$19 million;

- State of Good Repair projects represent 11% or \$57.1 million of the 10-Year Capital Plan with 97.2% of planned SOGR cash flows dedicated to Transfer Station Asset Management and upgrades with 61% of spending planned in 2011 to 2015. The remainder of the SOGR expenditure is comprised of Collection Yard Asset Management in 2012 (\$1.5 million).

By 2016, the 10-Year Capital Plan declines to approximately \$16.2 million per year from averaging \$83 million in the first 5 years as all major facilities work have been completed and reflect ongoing Landfill Development, Perpetual Care and Transfer Station funding requirements only.

## **The 2012 Capital Budget Process**

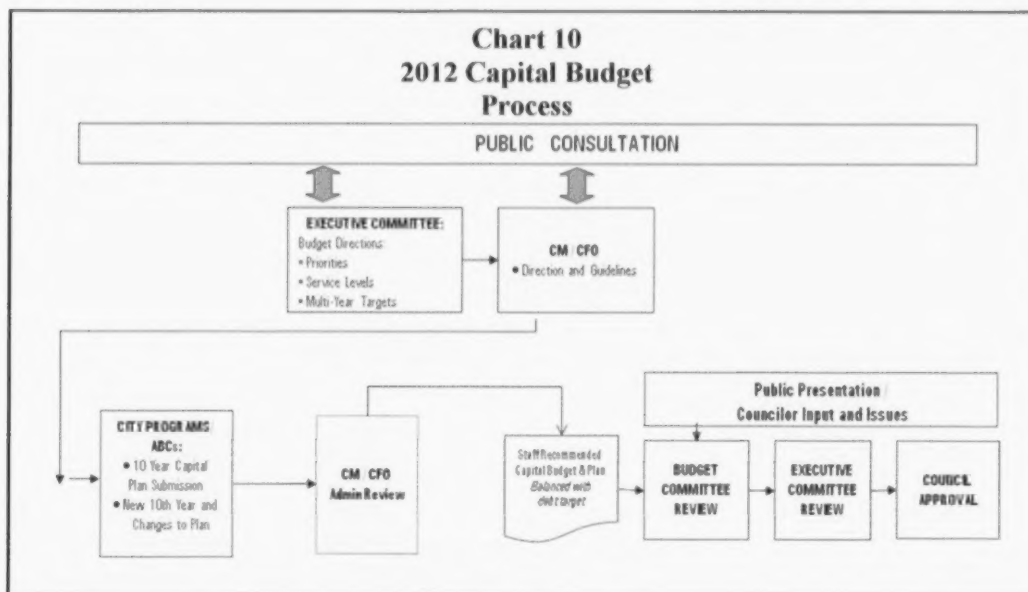
Chart 10 illustrates the City of Toronto's Capital Budget Process. The 10-Year Capital Plan details projects required to support the delivery of services to the citizens of Toronto over a 10 year planning horizon, and shows how these projects will be funded. In accordance with the City's long term fiscal planning framework, and strategic directions, a firm 2012 – 2021 Capital Budget and Plan will be to City Council for approval. The first year of the capital plan represents the capital budget. The remaining nine years constitute the framework for developing future year capital budgets. Key elements of this Capital Budget Process include the following:

- The Executive Committee and the Mayor establish priorities and provides upfront directions and guidelines which set the framework for staff to develop a balanced capital budget and plan that implement Council's strategic policy agenda; aligns resources to priorities; is based on sound financial management principles; and, meets prescribed budgetary targets.
- The City Manager, and Deputy Manager and Chief Financial Officer provide administrative directions and guidelines that complement the Executive Committee and Mayor's priorities. As part of the guidelines, they forecast and allocate affordable debt targets to individual City Programs and Agencies based on approved policies and funding needs. The City Manager and, Deputy City Manager and Chief Financial Officer review capital submissions of City Programs and Agencies to ensure compliance with budget policies, Council directions and priorities and that the proposed projects within the multi-year Capital Plan have merit, are cost effective and are ready to proceed within annual debt limits.
- The Budget Committee performs detailed reviews of individual City Program and Agency capital budgets and plans to confirm that Executive Committee's guidelines and directions are met.
- On behalf of the Executive Committee, the Budget Committee holds formal meetings to hear public deputations and to receive input from Councillors on issues they may raise, and where warranted, recommends amendments to the Staff Capital Budget and Plan.
- The Budget Committee recommends a 10-Year Capital Budget and Plan to the Executive Committee. At a minimum, the 10-Year Capital Budget and Plan must strategically align resources to Council and the Mayor's priorities; highlight expected results and outcomes; and, confirm financial strategies, particularly the need to meet annual debt affordability limits.
- The Executive Committee considers the Budget Committee Capital Budget and Plan to ensure that the Committee has addressed major fiscal and policy issues and confirms the budget as a strategic

financial plan that will implement Council policies and priorities, and meet community service demands.

- On behalf of the Executive Committee, the Mayor presents the 10-Year Capital Budget and Plan to City Council for approval.

To maintain the integrity of the 10-Year Capital Budget and Plan, projects are firmly placed in the year in which they will be implemented or developed. Moreover, as a policy and accountability requirement, approved capital investment and funding plans cannot be changed without explicit approval by Council. It is noted that some flexibility is provided by permitting acceleration or deferral of projects but only with the approval of Council. Furthermore, funding associated with acceleration or deferral of specific project(s) in any year, must be fully offset by shifting another project or projects with equal value and funding source to ensure a neutral impact on debt annually.



## City Manager and Chief Financial Officer Review

To ensure compliance with directions, guidelines, and affordable debt targets, the City Manager; Chief Financial Officer; and, Director of Financial Planning reviewed the capital submissions from City Programs and Agencies and recommended a 2012 – 2021 Capital Budget and Plan to the Budget Committee. The City Manager and Chief Financial Officer reviews focused on the following:

- Ensuring that the capital budget and plan is affordable and finances highest priority projects on a City-wide basis.
- Allocating available funds in the following priority order:
  - Previously approved projects already in progress, with focus on those with partnership / other government funding;
  - Health and Safety, Legislated and SOGR projects; and,
  - Service Improvement and Growth Related projects.
- Ensuring that projects included in the Staff Recommended 10-Year Capital Plan are based on project readiness, spending capacity, and achieves a balance between maintaining existing City assets in a state of good repair while addressing service gaps and priorities on a City-wide basis.
- Limiting debt use to fund long term capital improvements and reduce the City's reliance on debt; and, ensuring that assigned debt affordability targets were met and where required, taking appropriate corrective action.
- Ensuring that available resources are utilized to mitigate SOGR backlog and to minimize risks associated with delayed maintenance of the City's aging infrastructure.
- Evaluating assumptions and rationale used to confirm that projects included in the Capital Plan satisfy key Council priorities; and the extent to which needs analysis, effective scheduling, and ability to spend were factors influencing project prioritization.
- Ensuring that cost-sharing partnerships were explored in order to leverage capital program spending.
- Assuring that challenges and risks to effective and sustainable delivery of services and service levels were appropriately addressed.
- Evaluating operating impacts of projects to ensure reasonableness and that the Operating Budget is not unduly burdened.

In general, the 2012 – 2021 Capital Budget and Plan Submissions complied with guidelines, focussed on maintaining existing infrastructure, and included moderate strategic investments in service improvement and expansion projects in order to satisfy growth demands without compromising the health and safety of the public. As a direct result of significant investments in capital infrastructure, the SOGR backlog will increase marginally over the 10 year planning horizon. The increase is driven in part by the growing size of the City's infrastructure and capital assets, and inflationary impact on maintenance and remediation costs.